



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

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Impacted IRMs: 8.22.2 and 8.22.3

MEMORANDUM FOR DIRECTOR, FIELD OPERATIONS - EAST
DIRECTOR, FIELD OPERATIONS - WEST
DIRECTOR, APPEALS PROCESSING SERVICES
DIRECTOR, TECHNICAL SERVICES
DIRECTOR, INTERNATIONAL
DIRECTOR, APPEALS STRATEGY & FINANCE

FROM: Beverly Ortega Babers *Beverly Ortega Babers*
Director, Tax Policy and Valuation

SUBJECT: Interim Guidance for Collection Due Process Offers-in-Compromise

This memorandum provides interim guidance for consideration and processing of Offer-in-Compromise (OIC) cases received or pending during Collection Due Process (CDP) and Equivalent Hearing (EH) proceedings. These procedures are effective immediately. Please disseminate this information to all Appeals Team Managers and Processing Team Managers.

Background

Internal Revenue Code § 6330(c)(2)(A)(iii) specifically provides that an OIC is a collection alternative which may be considered during a CDP or EH proceeding.

In 2008, in response to an audit by the General Accounting Office, Appeals and the Small-Business/Self-Employed Division (SBSE) implemented a program where CDP/EH offers would all be sent to the SBSE Centralized OIC Units (COIC) for a processability determination. COIC agreed to retain those offers meeting COIC criteria for an initial investigation and to make a preliminary recommendation to Appeals.

The agreement with SBSE is being modified at this time. The modifications are presented in the attachment to this memorandum.

These procedures are effective immediately and will be incorporated into IRM 8.22.2 and IRM 8.22.3 within one year from the date of this memorandum.

If you have any questions, please contact Senior Appeals Program Analysts Michael J. Smith at (315) 471-7480 or Timothy J. Sample at (818) 637-3908.

Attachment

cc: www.irs.gov

Attachment

Interim Guidance for Collection Due Process Offers-in-Compromise

1) Offer cases for which COIC conducted investigation and issued a preliminary recommendation will be treated as priority cases in Appeals. Appeals will work such cases and make a CDP/EH determination, addressing the merits of the offer and any other relevant issues raised, within 120 days from the date the COIC offer recommendation is received in Appeals. This is a change from the current requirement in IRM 8.22.2.4.7.5.2(3), which calls for such cases to be closed within 60 days.

2) The hearing officer will no longer contact COIC when the offer cannot be closed within 60 days from Appeals' receipt of the COIC offer recommendation. This is a change from the current IRM 8.22.2.4.7.5.2(3). The hearing officer will prepare and submit a separate Form 5402 to close the CDP/EH and the offer work units. There is no longer a requirement that the hearing officer contact COIC to inform them when the offer is submitted for closure.

3) COIC will no longer followup with the hearing officer assigned to work the CDP/EH OIC. This process has been centralized so that COIC will contact an analyst within Appeals Tax Policy and Procedures.

4) Brookhaven and Memphis Appeals Processing Services (APS) will close CDP/EH OIC cases that are loaded on the AOIC system through direct input to AOIC. APS will designate employees in each campus backend processing location who will be profiled with AOIC input capabilities. On the AOIC system, the designated APS employee will reassign the offer case to the following unique number before closing it:

- Cases originating in Brookhaven COIC will be assigned to 1801191002
- Cases originating in Memphis COIC will be assigned to 1701491004

5) The date of the CDP/EH closing letter will be the date the offer is considered accepted, rejected, returned or withdrawn for purposes of closure of the offer on AOIC with a sole exception, when the hearing officer received an offer withdrawal by certified mail or hand delivery. The hearing officer will indicate in the "remarks" section of Form 5402 the date of receipt of the offer withdrawal, which will be the offer closing date in that case.

6) APS will no longer separately forward closing information to COIC sites for these offers.

7) There are no changes to APS routing procedures for these cases.

8) All processes involving non-COIC criteria offer cases associated with CDP/EH cases remain the same.
